STATE OF RHODE ISLAND

DIVISION OF TAXATION

ADMINISTRATIVE HEARING

FINAL DECISION AND ORDER

#2026-01

STATE OF RHODE ISLAND
DEPARTMENT OF REVENUE
DIVISION OF TAXATION
ONE CAPITOL HILL
PROVIDENCE, RHODE ISLAND 02908

IN THE MATTER OF:	:	
	:	**Case No. 22-T-050**
	:	**sales and use tax**
Taxpayer.	:	

DECISION

I. INTRODUCTION

The above-entitled matter came before the undersigned as the result of a Notice of Pre-Hearing Conference and Appointment of Hearing Officer dated June 8, 2022 and issued to the above-captioned taxpayer ("Taxpayer") by the Division of Taxation ("Division") in response to a request for hearing filed with the Division. The parties agreed that this matter could be decided on stipulated facts, agreed exhibits, briefs, and a hearing. A hearing was held on September 22, 2025 with the parties represented by counsel. Briefs were timely filed by November 21, 2025.

II. JURISDICTION

The Division has jurisdiction over this matter pursuant to R.I. Gen. Laws § 44-18-1 *et seq.*, R.I. Gen. Laws § 44-19-1 *et seq.*, R.I. Gen. Laws § 44-20-1, R.I. Gen. Laws § 44-1-1 *et seq.*, and 280-RICR-20-00-2 *Administrative Hearing Procedures* regulation.

III. ISSUE

The parties agreed the issue in this matter is whether the Division properly assessed the Taxpayer in its Notice of Assessment dated June 1, 2021.

IV. MATERIAL FACTS AND TESTIMONY

The parties filed an agreed statement of facts and exhibits ("ASOF") which is summarized as follows:[1]

1. The Taxpayer is a foreign corporation with a principal place of business in Ohio, that, among other things, maintains extensive databases of research materials, information, and content which customers access through online subscriptions.

2. The Division is charged with the administration and enforcement of all state taxes.

3. Following a sales/use tax audit for the periods from January 1, 2017 through December 31, 2019 ("Audit Period"), the Division assessed sales tax against the Taxpayer plus interest. No penalty was assessed. Exhibit A (assessment).

4. The assessment pertains entirely to the Taxpayer's sales of access to published legal authorities, news publications, court filings and other public records, which subscribing customers accessed online over the Internet ("Sales at Issue").

5. , a division of the Taxpayer, maintains a legal and news database of more than 60,000 legal, news, business, and public records sources, including published legal content, judicial and administrative decisions, case law, statutes, law review articles, and other primary and secondary authorities familiar to attorneys and legal researchers.

6. A number of database content collections are described in Exhibit B, including: " Service," a database of news publications, legal documents, public records, company profiles and business profiles, which in 2019 included 40,000 sources, "Briefs Pleadings Motions," a database collection of legal briefs, motions, pleadings, and jury instructions filed with courts and tribunals, "Financial Information Service," a database of financial information of public and private companies throughout the world, and " Phone Finder" and "Find a Business," databases of personal and business public records, including telephone number or business filing records.

7. The Taxpayer's customers could remotely access and view the information and database content to which they subscribed by logging into the website.

8. To retrieve the desired information and database content, the Taxpayer's customers used the website after first logging into their account to perform searches or make selections from pre-populated menus. Exhibit C contains current screenshots of the website the Taxpayer avers are the same or substantially similar to the website as it existed during the Audit Period that a Taxpayer customer would see in retrieving a copy of R.I. Gen. Laws § 44-18-8 using drop-down menus and search queries to access the Taxpayer's content databases.

[1] See partial stipulation of facts and exhibits filed on February 28, 2025.

9. During the Audit Period, Rhode Island based subscribers included law firms, government agencies, educational institutions, and nonprofit institutions, among many others. Exhibits D, E, and F are spreadsheets the Taxpayer prepared at the request of the Division auditor listing sales at issue to Rhode Island customers during April, August, and December 2018 for the product groups categorized as (" "), and (" "), respectively.

10. For the Sales at Issue, each Taxpayer customer entered into a Subscription Order Agreement to obtain access to the research materials maintained in the Taxpayer's databases. The Subscription Order Agreements set forth the specifically identified information and database content collections subscribed to, the subscription periods(s), and subscription fees-typically a minimum monthly commitment fee.

11. A representative example of a Subscription Order Agreement from the Audit Period is provided at Exhibit G - Law Firm Subscription Order between customer ") and effective January 1, 2018 to December 31, 2019 - providing "with access to and use of" materials in various specified databases, including ," " ", Treatises, Case Law," and "Expert Witness Verdicts and Settlements." Exhibit G, p. 2. The minimum monthly commitment fee reflected in the Subscription Order Agreement is $ per month. *Id.* Exhibit H (November 2018 invoice).

12. Exhibit I is the Taxpayer's General Terms and Conditions, which applied to each of the Subscription Order Agreements at issue during the Audit Period. See, e.g., the fifth page of Exhibit G - the sample Subscription Order Agreement for - which incorporates the Taxpayer General Terms and Conditions by reference. The General Terms and Conditions provide that the Taxpayer granted its customers "a nonexclusive, nontransferable, limited right to access and use for research purposes the [specified] Online Services and Materials made available to [them]." Exhibit I, p. 1.

13. Apart from the Sales at Issue, the Taxpayer sells certain products that provide customers with a license or right to use remotely accessed standardized software. Instead of providing access to information and database content, these products enable customers to access and use software in order to manipulate their own data, perform advanced data analytics, and produce reports among other things.

14. An example of such a software product is which in-house legal departments use to manage their own data, legal work, vendors, and outside counsel spend, and which includes e-Billing and budgeting capabilities. Customers use to manipulate their own data, not to obtain data or information from outside sources.

15. As distinguished from the Subscription Agreement and Terms and Conditions for the Sales at Issue, which generally grant customers the right "to access and use . . . Online Services and Materials" (Exhibit I, § 1.1), contracts for the Taxpayer products like explicitly make available "the proprietary enterprise legal management software-as-a-service solution." Exhibit J (contract).

16. During the Audit Period, the Taxpayer charged state sales tax on items determined to be taxable based on the research and information of its own Tax Department, consultation with its tax advisor, and guidance received from its tax engine provider. For example, beginning in October of 2018, the Taxpayer charged Rhode Island sales tax on those offerings it determined were software-as-a-service products, such as . By contrast, the Taxpayer did not charge Rhode Island sales tax on those offerings which it determined were online information services, such as the Sales at Issue.

17. The Taxpayer timely filed Forms RI-STR, sales and use tax return, for the Audit Period.

18. In September of 2019, the Division commenced an audit of the Taxpayer's sales tax returns for the Audit Period.

19. During the audit, the Division focused on the Sales at Issue, which the Taxpayer had designated as "online information services," and treated all such sales as sales of taxable vendor-hosted prewritten computer software.

20. In the audit workpapers, the Division categorized such sales into three (3) groups: , , and . Exhibit K (audit workpaper schedules).

21. Both and included the database of primary and secondary legal authorities, news publications, and public records. Under , the various database collections were invoiced separately, whereas under they were consolidated onto a centralized updated platform and invoiced together. During the Audit Period, was phased in to replace . included databases of public records content, such as public telephone number and business filing records.

22. During the audit, when the Taxpayer asked the Division to explain why it was treating the Sales at Issue as sales of taxable vendor-hosted prewritten computer software, the Division auditor stated in a June 29, 2020 email that "basically anything accessed via online is taxable. I understand you disagree with this position, which is fine." Exhibit L.

23. The Division auditor had explained in a previous email dated June 24, 2020 that "[e]ven though you stated there is no imputing (sic) of information or computation involved, we still believe that [the sales at issue] fall under ." Exhibit M.

24. At the audit closing conference held by telephone, the Division informed the Taxpayer's representatives of their final determination that all of the Sales at Issue to non-exempt customers on or after October 1, 2018 were sales taxable as vendor-hosted prewritten computer software.

25. None of the documents provided by the Division including the audit log refer to the "real object test" to analyze whether the sales of online subscriptions constituted sales of prewritten software or sales of nontaxable information services. Exhibit N (audit log).

26. On May 13, 2021, the auditor authored an internal Division Report of Field Audit – Sales & Use Tax ("Audit Report"), which states that he examined the and sales using a three-month test period of April 2018, August 2018, and December 2018. Exhibit O (Audit Report).

27. The audit workpaper schedules in Exhibit K indicate the Division computed the tax liability for and using a sampling methodology that derived error rates from the sample period of December 2018 since vendor-hosted prewritten computer software became taxable on October 1, 2018, after the April 2018 and August 2018 test periods.

28. The Division derived error rates by treating all sales of and to Rhode Island customers in December 2018, other than those the Division determined to be to tax-exempt entities, as taxable. The Division then extrapolated the one-month test period findings to all and sales from October 1, 2018 through December 31, 2019. Exhibit K.

29. The Division computed the tax liability shown on the audit workpaper for by determining that all such sales were 100% taxable from October 1, 2018 through December 31, 2019. Exhibit K. On June 1, 2021, the Division issued the Taxpayer an assessment of sales tax and interest for the periods from October 1, 2018 through December 31, 2019. Exhibit A.

30. The entire amount of the assessment is attributable to the Division's determination the Sales at Issue constituted sales of taxable vendor-hosted prewritten computer software.

31. By letter dated June 30, 2021, the Taxpayer requested a hearing. Exhibit P. The Division forwarded the matter to administrative hearing since it could not be resolved at the preliminary conference. The Taxpayer paid the total assessment and requested a full administrative hearing in an email to the Division on December 3, 2021. Exhibit Q.

Chief Product Officer, Legal Division ("Officer"), testified on behalf of the Taxpayer. He testified that he has worked for over 36 years for . Taxpayer's Exhibit One (1) (Officer's resume). He testified he has been in his current position for seven (7) years and his responsibilities have recently expanded from product development for North America and the United Kingdom to globally for . He testified that he and his team study lawyers' workflow habits and extract information to design product solutions for use by lawyers.

The Officer testified the Taxpayer offers content based solutions as well as software solutions that are designed to help lawyers and law firms with the business of running their

practice. He testified that product and research solutions are for access to content and information services that a lawyer would use to conduct legal research, e.g. case law, statute, regulatory codes, and secondary treatises. He testified the Taxpayer maintains information databases to provide customers with legal research materials. He testified there are approximately 60,000 publications available to subscribers, and they add about 2.2 million documents every day to the data collections to which their customers subscribe, and the documents are retrievable under their subscriptions. He testified the subscribers access legal materials via the website and can retrieve requested documents that are aligned with the materials to which they subscribe.

The Officer testified that materials are available to customers depending on their subscription and pricing is based on the contents as configured by customers. He testified the ASOF includes a customer subscription agreement for . He testified there is a core package that is the required package and other content are add-ons. He testified the customer agreement characterizes what is being purchased as a license and nothing is said about it being a sale of software and it is just access for research.

The Officer testified that also sells software tools that are available to accomplish specific workflow activities He testified there is a difference between content product and a software tool product. He testified that is a product they offer to in-house counsel who use it to manage their own data and legal work and includes e-billing and budgeting capabilities and customers can analyze their own data. He testified the ASOF includes a contract for which provides that it is a contract for a licensed software product. He testified the Taxpayer does not regard the Sales at Issue to be sales of software.

The Officer testified that customers access research materials via a login protected website. He testified that customers cannot create any database content and only can use

the website to access the content. He testified that newspaper sites such as for the are like in that they provide access to archives of information via a password protected website. He testified that is like since it is a software hosted solution and does something specific with client supplied data. He testified they do not charge for website features, and the website features allows customers to access the underlying content subscription. The Officer was asked whether a customer would find value if provided legal authorities by other means such as mail or email. He testified that "it would logically be impractical given the volume," but if the customer was looking for case opinions or statutory sections, there would be value in those being delivered via another method. Transcript at 25-26 in Taxpayer's appendix. He testified it would be of no value to a customer to access the website and enter search terms and not be able to retrieve the content, and the real object of the Sales at Issue is to access content.

On cross-examination, the Officer testified the product development teams reviews customers' needs to design and develop products to meet those needs. He testified users subscribing to content want to conduct research. He testified that both software and websites would in general fall under the definition of a set of coded instructions designed to cause a computer to perform a task, but the second part of the definition is what is the task, and in this matter, it is accessing the content. He testified there are software capabilities to retrieve documents but here, the customer is subscribing to and accessing documents under their subscription. He testified the website is hosted by Services which is generally true for all websites.

V. DISCUSSION

A. Legislative Intent

The Rhode Island Supreme Court has consistently held that it effectuates legislative intent by examining a statute in its entirety and giving words their plain and ordinary meaning. *In re*

Falstaff Brewing Corp., 637 A.2d 1047 (R.I. 1994). If a statute is clear and unambiguous, "the Court must interpret the statute literally and must give the words of the statute their plain and ordinary meanings." *Oliveira v. Lombardi*, 794 A.2d 453, 457 (R.I. 2002) (citation omitted). The Supreme Court has also established that it will not interpret legislative enactments in a manner that renders them nugatory or that would produce an unreasonable result. See *Defenders of Animals v. DEM*, 553 A.2d 541 (R.I. 1989) (internal citation omitted). In cases where a statute may contain ambiguous language, the Supreme Court has consistently held that the legislative intent must be considered. *Providence Journal Co. v. Rodgers*, 711 A.2d 1131 (R.I. 1998).

B. Relevant Statutes and Statutory History

Pursuant to R.I. Gen. Laws § 44-18-18, Rhode Island imposes a sales tax of 7% on gross receipts of a retailer. Pursuant to R.I. Gen. Laws § 44-18-19, the retailer is responsible for the collection of sales tax. R.I. Gen. Laws § 44-18-25[2] presumes that all gross receipts are subject to sales tax and that the burden of proving otherwise falls on the taxpayer.

R.I. Gen. § 44–18–7 defines sales. It was amended in 2018 to included vendor-hosted prewritten computer software.[3] It provides in part as follows:

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[2] R.I. Gen. Laws § 44-18-25 provides as follows:

> Presumption that sale is for storage, use, or consumption — Resale certificate. It is presumed that all gross receipts are subject to the sales tax, and that the use of all tangible personal property, or prewritten computer software delivered electronically or by load and leave, or vendor-hosted prewritten computer software, or specified digital products, or services as defined in § 44-18-7.3, are subject to the use tax, and that all tangible personal property, or prewritten computer software delivered electronically or by load and leave, or vendor-hosted prewritten computer software, or specified digital products, or services as defined in § 44-18-7.3, sold or in processing or intended for delivery or delivered in this state is sold or delivered for storage, use, or other consumption in this state, until the contrary is established to the satisfaction of the tax administrator. The burden of proving the contrary is upon the person who makes the sale and the purchaser, unless the person who makes the sale takes from the purchaser a certificate to the effect that the purchase was for resale. The certificate shall contain any information and be in the form that the tax administrator may require.

Vendor-hosted prewritten computer software was added to this statute effective July 1, 2018. P.L. 2018, ch. 47, art. 4, § 10.

[3] P.L. 2018, ch. 47, Art. 4, § 10, eff. July 1, 2018.

"Sales" means and includes:

(1) Any transfer of title or possession, exchange, barter, lease, or rental, conditional or otherwise, in any manner or by any means of tangible personal property for a consideration. "Transfer of possession", "lease", or "rental" includes transactions found by the tax administrator to be in lieu of a transfer of title, exchange, or barter.

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(14) The sale, storage, use, or other consumption of prewritten computer software delivered electronically or by load and leave as defined in § 44–18–7.1(g)(v).

(15) The sale, storage, use, or other consumption of vendor-hosted prewritten computer software as defined in § 44–18–7.1(g)(vii).

R.I. Gen. Laws § 44-18-16 provides as follows:

Tangible property defined. "Tangible personal property" means personal property which may be seen, weighed, measured, felt, or touched, or which is in any other manner perceptible to the senses. "Tangible personal property" includes electricity, water, gas, steam, and prewritten computer software.

R.I. Gen. Laws § 44-18-7.1 which provides additional definitions was enacted in 2006 and became effective on January 1, 2007. P.L. 2006, ch. 246, art. 30, § 10. That statute provided definitions for a computer, computer software, and prewritten computer software. In 2018, R.I. Gen. Laws § 44-18-7.1 was amended to include a definition of vendor-hosted prewritten computer software.[4] Thus, the relevant definitions for this matter from R.I. Gen. Laws § 44-18-7.1 are as follows:

Additional definitions.

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(c) "Bundled transaction" is the retail sale of two or more products, except real property and services to real property, where (1) The products are otherwise distinct and identifiable, and (2) The products are sold for one non-itemized price. A "bundled transaction" does not include the sale of any products in which the "sales price" varies, or is negotiable, based on the selection by the purchaser of the products included in the transaction.

(i) "Distinct and identifiable products" does not include:

(A) Packaging — such as containers, boxes, sacks, bags, and bottles — or other materials — such as wrapping, labels, tags, and instruction guides — that accompany the "retail sale" of the products and are incidental or immaterial to the "retail sale" thereof. Examples of packaging that are incidental or immaterial include grocery sacks, shoeboxes, dry cleaning garment bags, and express delivery envelopes and boxes.

[4] P.L. 2018, ch. 47, art. 4, § 10 was effective July 1, 2018 except for the section that pertains to vendor-hosted prewritten software that took effect on October 1, 2018.

(B) A product provided free of charge with the required purchase of another product. A product is "provided free of charge" if the "sales price" of the product purchased does not vary depending on the inclusion of the products "provided free of charge."

(C) Items included in the member state's definition of "sales price," pursuant to appendix C of the agreement.

(ii) The term "one non-itemized price" does not include a price that is separately identified by product on binding sales or other supporting sales-related documentation made available to the customer in paper or electronic form including, but not limited to, an invoice, bill of sale, receipt, contract, service agreement, lease agreement, periodic notice of rates and services, rate card, or price list.

(iii) A transaction that otherwise meets the definition of a "bundled transaction" as defined above, is not a "bundled transaction" if it is:

(A) The "retail sale" of tangible personal property and a service where the tangible personal property is essential to the use of the service, and is provided exclusively in connection with the service, and the true object of the transaction is the service; or

(B) The "retail sale" of services where one service is provided that is essential to the use or receipt of a second service and the first service is provided exclusively in connection with the second service and the true object of the transaction is the second service; or

(C) A transaction that includes taxable products and nontaxable products and the "purchase price" or "sales price" of the taxable products is de minimis.

1. De minimis means the seller's "purchase price" or "sales price" of the taxable products is ten percent (10%) or less of the total "purchase price" or "sales price" of the bundled products.

2. Sellers shall use either the "purchase price" or the "sales price" of the products to determine if the taxable products are de minimis. Sellers may not use a combination of the "purchase price" and "sales price" of the products to determine if the taxable products are de minimis.

3. Sellers shall use the full term of a service contract to determine if the taxable products are de minimis; or

(D) The "retail sale" of exempt tangible personal property and taxable tangible personal property where:

1. The transaction includes "food and food ingredients," "drugs," "durable medical equipment," "mobility enhancing equipment," "over-the-counter drugs," "prosthetic devices" (all as defined in this section) or medical supplies; and

2. Where the seller's "purchase price" or "sales price" of the taxable tangible personal property is fifty percent (50%) or less of the total "purchase price" or "sales price" of the bundled tangible personal property. Sellers may not use a combination of the "purchase price" and "sales price" of the tangible personal property when making the fifty percent (50%) determination for a transaction.

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(g) Computer and Related Items

(i) "Computer" means an electronic device that accepts information in digital or similar form and manipulates it for a result based on a sequence of instructions.

(ii) "Computer software" means a set of coded instructions designed to cause a "computer" or automatic data processing equipment to perform a task.

(iii) "Delivered electronically" means delivered to the purchaser by means other than tangible storage media.

(iv) "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

(v) "Load and leave" means delivery to the purchaser by use of a tangible storage media where the tangible storage media is not physically transferred to the purchaser.

(vi) "Prewritten computer software" means "computer software," including prewritten upgrades, that is not designed and developed by the author or other creator to the specifications of a specific purchaser. The combining of two (2) or more "prewritten computer software" programs or prewritten portions thereof does not cause the combination to be other than "prewritten computer software." "Prewritten computer software" includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the specific purchaser. Where a person modifies or enhances "computer software" of which the person is not the author or creator, the person shall be deemed to be the author or creator only of such person's modifications or enhancements. "Prewritten computer software" or a prewritten portion thereof that is modified or enhanced to any degree, where such modification or enhancement is designed and developed to the specifications of a specific purchaser, remains "prewritten computer software"; provided, however, that where there is a reasonable, separately stated charge or an invoice or other statement of the price given to the purchaser for such modification or enhancement, such modification or enhancement shall not constitute "prewritten computer software."

(vii) "Vendor-hosted prewritten computer software" means prewritten computer software that is accessed through the internet and/or a vendor-hosted server regardless of whether the access is permanent or temporary and regardless of whether any downloading occurs.

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(z) "Telecommunications" tax base/exemption terms.

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(G) "Telecommunications service" means the electronic transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points. The term "telecommunications service" includes such transmission, conveyance, or routing in which computer processing applications are used to act on the form, code, or protocol of the content for purposes of transmission, conveyance, or routing without regard to whether such service is referred to as voice over internet protocol services or is classified by the Federal Communications Commission as enhanced or value added. "Telecommunications service" does not include:

> (1) Data processing and information services that allow data to be generated, acquired, stored, processed, or retrieved and delivered by an electronic transmission to a purchaser where such purchaser's primary purpose for the underlying transaction is the processed data or information[.]

Thus, in 2018, the definition of computer, computer software, and prewritten computer software did not change.[5] The change to definitions was the addition of vendor-hosted prewritten computer software.

R.I. Gen. Laws § 44–18–8 was amended in 2018 to include vendor-hosted prewritten computer software.[6] The statute is as follows:

> Retail sale or sale at retail defined. A "retail sale" or "sale at retail" means any sale, lease, or rentals of tangible personal property, prewritten computer software delivered electronically or by load and leave, vendor-hosted prewritten computer software, or services as defined in § 44–18–7.3 for any purpose other than resale, sublease, or subrent in the regular course of business. The sale of tangible personal property to be used for purposes of rental in the regular course of business is considered to be a sale for resale. In regard to telecommunications service as defined in § 44–18–7(9), retail sale does not include the purchase of telecommunications service by a telecommunications provider from another telecommunication provider for resale to the ultimate consumer; provided, that the purchaser submits to the seller a certificate attesting to the applicability of this exclusion, upon receipt of which the seller is relieved of any tax liability for the sale.

R.I. Gen. Laws § 44-18-12.1 provides as follows:

> "Additional measure subject to tax". Also included in the measure subject to tax under this chapter is the total amount charged for the furnishing or distributing of electricity, natural gas, artificial gas, steam, refrigeration, water, telecommunications, telegraph, cable, and radio message service, community antenna television, subscription television, and cable television service; provided, that the measure of tax in regard to telecommunications service is the total consideration received for the service as defined in § 44-18-7(9); provided, that in order to prevent multistate taxation of all telecommunications service, any taxpayer is allowed a credit or refund of sales tax upon presenting proof that a tax has been paid to another state to which the tax is properly due for the identical service taxed under this chapter. Furthermore, included in the measure of tax is the total amount charged for the rental of living quarters in any hotel, rooming house, or tourist camp.

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[5] It is noted that telecommunications in 2018 were subsection (y) but now are subsection (z).

[6] P.L. 2018, ch. 47, art. 4, § 10 effective July 1, 2018.

C. Arguments

The Taxpayer distinguishes its product lines between those it calls software as opposed to content based solutions. A customer uses to manage their data, legal work, vendors, outside counsel spend, and provides the customer with analytics based on inputted data. A customer using searches various legal databases made up of state and federal case law and statutes as well as secondary sources for information based on the customer needs.

The Taxpayer argued that prior to 2018, prewritten computer software was defined to include only software that was transferred by physical medium (e.g. CD-Rom, floppy disk) and did not include software accessed remotely (e.g. vendor-hosted software). The Taxpayer argued that the 2018 change in the law eliminated the distinction so that the taxability of prewritten software was no longer dependent on how customers received or accessed software. The Taxpayer argued that the 2018 change did not change the definition of computer software or what is a sale of a prewritten computer software or a sale of a nontaxable service.

The Taxpayer argued that information services and database content whether accessed online or otherwise are not taxable as they are not an enumerated sale at retail. Instead, the Taxpayer argued their product is nontaxable digital data processing and information services. The Taxpayer argued that all websites use software but just because a customer accesses a website does not mean the customer is purchasing software. The Taxpayer further argued that if the Sales at Issue were determined for some reason not to be information services and taxable, they are nontaxable under the real object test.

The Division argued the Taxpayer's products are prewritten computer software that may be accessed through the internet and/or a vendor hosted server on a subscription basis so are taxable as tangible personal property. The Division argued the Taxpayer's argument that its products are

nontaxable information services is incorrect because what is being sold is access to software functionality, not just data or information, and the information is delivered through that software.

This decision will delve into the statutory requirements to impose sales tax to determine whether Rhode Island State law makes the same distinction about products as the Taxpayer when imposing sales tax.

D. Red Herring Argument

One of the Taxpayer's main arguments is a red herring. The Taxpayer cited to the ASOF that during the audit, the Division's auditor wrote an email that stated, "basically anything accessed via online is taxable." ASOF #22; Exhibit L. The Taxpayer spent much time in its brief and reply brief arguing the auditor's statement is incorrect, and the Division cannot impose tax based on the premise that any purchases "accessed via online" are *per se* sales of software. Brief at 20. It argued the Division is categorically treating every online transaction as a software sale. *Id.* at 23.

However, the issue in this matter does not revolve around an auditor's email summary of the audit and statutory requirements and whether the auditor's informal summary was inaccurate or lacked clarification. As indicated in the Division's Order to Show Cause, "[s]ales tax was assessed because the software offered by the Taxpayer falls under the statutory definition of vendor-hosted prewritten computer software." Exhibit R at 152 to 153. Arguing against the auditor's statement is a red herring and not relevant to the actual statutes as written and as noticed in the Order to Show Cause. The inquiry here is whether the Sales at Issue fall under the relevant statutory definitions and provisions that impose sales tax.

E. Whether the Taxpayer Owes Sales Tax

Pursuant to R.I. Gen. Laws § 44-18-25, the burden of proof is on the Taxpayer rather than the Division since the statute provides for a statutory presumption that all items purchased or sold are subject to tax unless the "contrary" is established by a taxpayer to the satisfaction of the Tax

Administrator. The purpose of this hearing was to provide the Taxpayer with an opportunity to rebut the presumption of taxability. The burden of proof for the Taxpayer is the preponderance of the evidence. R.I. Gen. Laws § 8-8-28 and *DeBlois v. Clark*, 764 A.2d 727 (R.I. 2003).

i. <u>What is Being Sold and What is Being Purchased</u>

Customers who purchase purchase access to legal content "through online subscriptions" and "online over the Internet." ASOF #1, #4. maintains a legal and news database for subscribers. ASOF #5, #6. Exhibit B. Customers "remotely access and view the information and database content to which they subscribed by logging into the website." ASOF #7. To retrieve this information, customers after logging into their account "perform searches" or "make selections from pre-populated menus." ASOF # 8. For the Sales at Issue, customers entered into subscription agreements "to obtain access to research materials" in said databases. ASOF #10. The subscription agreement provides that what is purchased is a "limited right to access and use for research purposes." ASOF #12.

In some cases, customers make selections from pre-populated menus. An example of that is provided in Exhibit C which shows the example of looking up a specific state statute either by inputting the specific statutory cite in the search bar or by clicking on the specific statute listed under Rhode Island statutes. Exhibit C. Exhibit C also shows the search bar above which it says "search for" and then the field below states, "[e]nter a source name, a citation, terms or shep:[citation] to " That search bar is shown on the opening menu and the opening menu. It also appears after selecting Rhode Island sources. After the table of contents for Rhode Island General Laws, the search bar states, "[e]nter search terms."

While the exhibits did not provide an example of a "search," the screenshots showed in Exhibit C that as well as entering specific citations, customers can enter search terms to conduct

research on the relevant topics as desired. Customers use for research and as stated in the terms and conditions, they are buying a limited "right to access and use for research purposes the Online Services and Materials made available to you." Exhibit J at 0074. Indeed, customers may make "work folders" on their website "from within research sessions that are associated solely with their respective IDs (identification)." *Id.* at 0078.

The Taxpayer argued that to be taxed the product must be enumerated in R.I. Gen. Laws § 44-18-7.3, R.I. Gen. Laws § 44-18-8, or R.I. Gen. Laws § 44-18-12.1. R.I. Gen. Laws § 44-18-8 provides that vendor-hosted prewritten computer software is taxable. R.I. Gen. Laws § 44-18-12.1 taxes telecommunications. The Taxpayer argued the Sales at Issues are tax exempt since they are not telecommunications pursuant to R.I. Gen. Laws § 44-18-7.1(z)(G)(1). Said statute provides that "telecommunications service" do not include "[d]ata processing and information services that allow data to be generated, acquired, stored, processed, or retrieved and delivered by an electronic transmission to a purchaser where such purchaser's primary purpose for the underlying transaction is the processed data or information[.]" The Taxpayer argued the Sales at Issue are not vendor-hosted prewritten computer software but rather are tax exempt information services.

In support of its position, the Taxpayer argued its customers' primary purpose for the underlying transaction is to obtain information. The Taxpayer argued the agreed facts that the purchase is "of access to published legal authorities, news publications, court filings and other public records, which subscribing customers accessed online over the Internet" and to "access to the research materials maintained in the Taxpayer's databases" support that finding. ASOF #4, #10. It also relied on ASOF #11 and Exhibit G that the subscription agreement is for "access to and use of materials in various specified databases." The Taxpayer argued the Division agreed the purchase of is different from other Taxpayer sales where those customers purchase

software since ASOF #13 provides that apart from the Sales at Issue, the Taxpayer sells products that provide customers with a license or right to use remotely accessed standardized software and instead of providing access to information and database content, these products enable customers to access and use software to manipulate their own data. It also argued that difference is reflected in its contracts. Exhibits I and J. The Taxpayer also relied on the Officer's testimony that the Sales at Issue were not sales of software as customers do not purchase, license, or acquire the rights to use software, and that software users use their own data and manipulate it.

The Taxpayer argued that Rhode Island sales tax statute relies on what is being sold and the Officer's testimony confirmed that what is being sold is access to a vast and continually updated database of legal, news, and public records content and not software or right to use software. It argued "the website software functions solely as the delivery mechanism for that information." Brief at 19-20.

R.I. Gen. Laws § 44-18-7.1(g)(ii) defines "[c]omputer software" to mean "a set of coded instructions designed to cause a "computer" or automatic data processing equipment to perform a task." A customer logs[7] into and searches the databases for research purposes to find cases, treatises, records on whatever he or she is researching. Customers buy access to a core set of databases that all customers must purchase and can choose to purchase additional databases. Exhibit B lists various available databases including those of banking publications, bankruptcy law information, and financial and industry dossiers. ASOF #5. Exhibit I (law firm contract with pricing for core and extra databases).

[7] The parties did not dispute that access to is by "computer" which is defined in R.I. Gen. Laws § 44-18-7.1(g)(i) to mean "an electronic device that accepts information in digital or similar form and manipulates it for a result based on a sequence of instructions." E.g. ASOF #7.

The Officer testified that both software and websites would both generally fall under the definition of a set of coded instructions designed to cause the computer to perform a task. The Officer testified the pertinent part of that definition for computer software is what is the task which is accessing the content. However, the statute does not differentiate about what task is being performed. The Taxpayer also argued the website software does not create or generate the content.

When a customer puts in search terms, it causes the computer to perform a task. The task to be performed is to sort through the voluminous number of publications and provide those that meet the "search terms" or to retrieve the specific cite inputted. The computer retrieves research information requested by the customer by searching huge amounts of data. If customers choose, they can save their research in folders. As the Officer testified, the customer is accessing content. *Supra.* A customer who has purchased has purchased computer software as defined by statute. The computer is performing the task to access and research and retrieve the content by either inputting search terms or citations. The statute does not require the software to generate the content. Rather the software performs a task. Sometimes the task could be generating content. Other times it could be retrieving content.

R.I. Gen. Laws § 44-18-7.1(g)(vi) defines "[p]rewritten computer software" to mean "'computer software,' including prewritten upgrades, that is not designed and developed by the author or other creator to the specifications of a specific purchaser." is software that is purchased by numerous purchasers. It is not designed or developed for a specific purchaser. Rather, databases can be added to purchases, but the software is the same. A customer who has purchased has purchased prewritten computer software as defined by statute.

R.I. Gen. Laws § 44-18-7.1(g)(vii) defines "vendor-hosted prewritten computer software" as "prewritten computer software that is accessed through the internet and/or a vendor-hosted

server regardless of whether the access is permanent or temporary and regardless of whether any downloading occurs." The product is prewritten computer software. It is accessed through the internet. The statute does not differentiate between permanent or temporary access or whether downloading occurs. A customer who has purchased has purchased vendor-hosted prewritten computer software as defined by statute.

The fact the Taxpayer distinguishes its products as testified to by the Officer and discussed in the ASOF does not preclude the Sales at Issue from falling under the statutory definition of vendor-hosted prewritten computer software. The issue revolves around the statutory requirements and not how the Taxpayer and its witness differentiate its products. The customers are buying a product that allows them to access those materials by performing search and retrieval tasks on the computer. Indeed, as the Taxpayer acknowledges the software delivers the information. The information is accessed by the computer performing "search" tasks to search for documents either by search terms or by citation. The computer performs tasks. It searches the data as inputted by the customer. It sorts through data to match search terms. It retrieves the information. The method and process of accessing and retrieving and researching the content falls under the definition of vendor-hosted prewritten computer software.

ii. 2018 Advisory

The Taxpayer argued that its customers were not purchasing software as they were not purchasing a license to use software. However, the statute does not require purchase of a license to use software to be taxable. Indeed, a review of the Division's advisory for the 2018 change in law does not make such a distinction since the statute does not make such a distinction. Division's ADV. 2018-38 (9/13/18) ("2018 Advisory").[8]

[8] https://tax.ri.gov/sites/g/files/xkgbur541/files/Advisory/ADV_2018_38.pdf.

The 2018 Advisory explained the new law was extended to include software as a service (" "). The 2018 Advisory explained how whether a person accesses or uses software via the internet, it is taxable whether it is downloaded or not. The advisory included examples of taxable vendor-hosted prewritten software. The examples included software programs for digital tools for office work and software used for payroll, accounting, and human resource functions. It also included examples such as online dating services or job search programs or social media programs that one pays for that links one to other professionals. The second set of examples would not be of the type of software but rather would be like the Sales at Issue. The second set of examples are search programs: search for possible dates and search for possible jobs.

The Taxpayer noted the auditor in his email (*supra*) sent the 2018 Advisory to the Taxpayer with his email about how everything accessed via online is taxable. The Taxpayer argued the 2018 Advisory does not support the auditor's position. But as discussed above, the issue is not about the auditor's email but about the actual statutes as written. The Taxpayer pointed to the 2018 Advisory's examples for payroll, accounting, or human resources and argued those are examples of classic offerings such as , , and which are used for their software functionality and not information services. The Taxpayer ignored the second set of examples. Indeed, these second set of examples do not create or generate content as argued by the Taxpayer vis a vis , etc. Instead, they retrieve content based on search terms.

iii. <u>2020 Ruling</u>

In Ruling Request No. 2020-03 ("2020 Ruling"),[9] the taxpayer admitted that its software was vendor-hosted prewritten computer software but argued that the sales of software were exempt pursuant to R.I. Gen. Laws § 44-18-7.1(z)(i)(G)(1) as data processing and information services.

[9] https://tax.ri.gov/guidance/declaratory-rulings/ruling-request-no-2020-03.

The software in the 2020 Ruling produced real time metrics for its customers. The Division found that software and services to be intertwined and inseparable so the software product was taxed as vendor-hosted prewritten computer software. The Taxpayer argued that since its software does not create content, the 2020 Ruling was not applicable. The Division argued the Taxpayer's customers are purchasing access to software functionality and not just data, and the software is the mechanism by which all information is delivered so that Ruling 2020's reasoning is applicable. The Taxpayer's contention about its website interface not creating content meaning it is not taxable is not supported by statute as discussed herein. The software is performing the task of searching, researching, and retrieving information for customers.

iv. Telecommunications

The Taxpayer argued its Sales at Issue fall under the definition of exempt telecommunications as data processing and information services. Of course, to be exempt from the telecommunications tax, the Sales of Issue would first have to fall under statutory definition of telecommunications for which tax is accessed and then fall under the statutory exemption from the telecommunications tax.[10] The statutory exemption from telecommunications provides that data information that falls under that exemption cannot be taxed as "telecommunications." The telecommunications exemption refers not just to data processing and information services but also to installing and maintaining wiring or equipment, tangible personal property, billing and collection services, and internet access service, etc. R.I. Gen. Laws § 44-18-7.1(i)(G)(1) to (9).

[10] Customers are retrieving data when they subscribe to . But it does not appear that data is being routed or conveyed between or among points as described in the statute. Nonetheless, whether the Sales at Issue are actually telecommunications as defined by statute so that they perhaps could fall under the statutory data information telecommunication tax exemption is not relevant for this discussion. Rather for the purpose of this discussion, it is assumed that the Sales at Issue could fall under the statutory exemption for taxation as telecommunications.

R.I. Gen. Laws § 44-18-12.1 imposes a tax on telecommunications. For those products that are telecommunication and then fall under the statutory exemption at R.I. Gen. Laws § 44-18-7.1(i)(G), tax cannot be imposed on those products as telecommunications. However, just because a service might be exempt from tax as telecommunications does not mean that tax cannot be imposed by another statute. The Taxpayer arguments assume the Sales at Issue are considered telecommunications that then fall under an exemption from telecommunications. Even assuming that the Sales at Issue are statutorily telecommunications that then fall under that exemption from the telecommunications tax, there is no reason that the Sales at Issue cannot fall under another definition that is taxable.

The telecommunications exemption also refers to "tangible personal property" and "billing and collection services provides to their parties." R.I. Gen. Laws § 44-18-7.1(i)(G)(3) and (5). Such an exemption from the telecommunications' tax does not mean that tangible personal property or billing services would never be taxable. A billing service could also be vendor-hosted prewritten computer software. That statutory exemption is from a tax as telecommunications; not from ever being taxed.

In the 2020 Ruling, that taxpayer admitted its software was vendor-hosted prewritten computer software but argued the sales of software were exempt pursuant to R.I. Gen. Laws § 44-18-7.1(z)(i)(G)(1) as data processing and information services. The 2020 Ruling noted that even if the software fit the definition R.I. Gen. Laws § 44-18-7.1(z)(i)(G)(1), the software was still taxable pursuant to R.I. Gen. Laws § 44-18-18 which imposes a tax on sales at retail and R.I. Gen. Laws § 44-18-8 which expressly includes vendor-hosted prewritten computer software as a sale at retail. The Taxpayer denies its Sales at Issue are vendor-hosted prewritten computer software but since they are, they are taxable even if they could be considered tax exempt information by statute.

v. 2017 Ruling

The Division's Ruling Request No. 2017-02 ("2017 Ruling")[11] found sales of vendor-hosted operating software in which customers accessed and managed their storage and computer service over the internet were not sales of software. That scenario included software hosted on vendor's equipment and no prewritten computer software was downloaded. The Taxpayer cited to the 2017 Ruling to support its argument that its Sales at Issue were not taxable. The Taxpayer's position ignores the year the ruling was issued. It was issued in 2017 prior to the change in law that made vendor-hosted prewritten computer software taxable even when the software is not downloaded. The 2017 Ruling is not relevant to this matter.

F. Real Object Test

The Taxpayer argued that its telecommunications exemption is not a close call but if it presents a closer call, the application of the "true object test" or "real object test" removes all doubt that the Division's assessment is erroneous. The Division argued the real object test is not applicable to this matter as the sale is not a mixed transaction now known as a bundled transaction. R.I. Gen. Laws § 44-18-7.1(c). *Supra.*

By statute, a "bundled transaction" "does not include the sale of any products in which the "sales price" varies, or is negotiable, based on the selection by the purchaser of the products included in the transaction." Here, sales price is negotiable based on the selection by the purchaser of the products included in the transaction. Indeed, preferable pricing for is available. Exhibits G and H.

But even if the Sales at Issue fell under a bundled transaction, the statute exempts the "retail sale" of tangible personal property and a service where the tangible personal property is essential

[11] https://tax.ri.gov/guidance/declaratory-rulings/ruling-request-no-2017-02.

to the use of the service, and is provided exclusively in connection with the service, and the true object of the transaction is the service. According to the Taxpayer, the true object of the transaction is information services. Prewritten computer code is tangible personal property. The customers have purchased the computer code which is essential to accessing the data information and is provided exclusively in connection for accessing the data, Thus, accepting the Taxpayer's arguments that the true object of the Sales at Issue is the data information, these sales are not bundled transactions as the tangible personal property is essential to and exclusive to the use of the service.

The Taxpayer did not address Rhode Island's current statute on bundled transactions. It only mentioned bundled transactions in its brief in relation to a Massachusetts matter. Instead, the Taxpayer relied on Rhode Island cases that dealt with mixed transactions under an old and now repealed statutory definition of sales price which included "services that are part of the sale." Those cases are *New England Tel. Co. v. Clark*, 624 A.2d 298 (RI 1993); *Statewide Multiple Listing Service v. Norberg*, 302 A.2d 371 (RI 1978); and a Rhode Island District Court, Sixth decision case, *Oracle Corporation v. Director*, A.A. No. 04-58 (9/13/2010).[12] As stated above, at the time of those matters, the sales price statute was different. It had not been replaced with the bundled transactions statute that defines a bundled transaction and provides more specificity as to what is considered a bundled transaction.

In discussing mixed transactions, the Rhode Island Supreme Court noted in *Hasbro Industries, Inc. v. Norberg*, 487 A.2d 124, 126 (R.I. 1985) found as follows:

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[12] The sales price statute, R.I. Gen. Laws § 44-18-12, in effect at the time of those three (3) decisions was part of the original statute enacted in 1947. P.L. 1947, ch. 1887, art. 2 § 11.

The statue defined sales price to include "[a]ny services that are a part of the sale, valued in money, whether paid in money or otherwise."

The statute was amended in 2006 (P.L. 2006, ch. 246, art. 30, § 9) which removed the "services that are part of the sale" provision that these cases turned on and instead "bundled transactions" became part of the newly enacted R.I. Gen. Laws § 44-18-71. P.L. 2006, ch. 246, art. 30, § 10.

> Incidentally, it is worth noting that our statute implicitly provides for the taxation of such "mixed" transactions. General Laws 1956 (1980 Reenactment) § 44–18–12, which defines "[s]ale price" as the total amount for which tangible property is sold, includes "[a]ny services that are a part of the sale, valued in money * * *."

When looking at that definition, *New England* found the difficulty was that most transactions to a certain degree involved some amount of personal service and some amount of tangible property. The Court then drew on *Statewide*'s decision about mixed transactions. *Statewide* was actually concerned about whether a booklet derived from real estate data was a tax exempt publication. Once the *Statewide* Court found it was not a tax exempt publication, it addressed that taxpayer's claim that what was sold was a service and not a transfer of tangible personal property. It delineated what would be considered mixed transactions. *New England* found as follows:

> On a number of different occasions this court has analyzed the taxability of mixed transactions. We begin by reviewing the well-reasoned *Statewide* opinion. In *Statewide* this court outlined three categories for analyzing mixed transactions. The three situations that the court profiled were these:
>
> 1. The service is the main item purchased, and the property received is incidental to that service.
>
> 2. The service aspect and the property aspect of the transaction are readily separable.
>
> 3. The property is the main item purchased, and the service is incidental to the receipt of that property. *Statewide,* 120 R.I. at 942, 392 A.2d at 374.
>
> The court [*Statewide*] concluded that transactions would not be taxable when service is the real object of the transaction (situation 1), but instances wherein property is the real object of the transaction would be taxable (situation 3). *Id.* at 300-301.

The Taxpayer argued the real object turns on the customer's true purpose. The Taxpayer argued that a transaction is generally software if the customer's real object is to use software functionality to perform a helpful task. The Taxpayer argued that if the customer's primary purpose is to obtain nontaxable services such as online content and informational services and where the vendor-hosted software merely facilitates access to and does not create content, the real

object is not software. The Taxpayer argued that its customers purchase access to the databases which would have value without searchability functions so the real object is the purchase of nontaxable information services.

The Division argued the Taxpayer's customers must purchase a core product and can only gain access to their subscribed to materials by using vendor-hosted prewritten computer software that comes with the core product so that the real object for the Sales at Issue is the purchase of the software, i.e. tangible personal property. The Division argued this is analogous to *Statewide* where the object of the transaction was the translation of data into a form (a booklet) readily available for that taxpayer's members. The Division argued the Sales at Issue fall under number three where the property (software) is the main item purchased.

As *New England* found, "[t]he real-object test must be applied to the totality of the transaction." *Id.* at 301. In other words, what is being purchased.

customers buy access to a core database and add on databases. As the Officer testified it would be "logically be impractical" to deliver the databases by another method, such as a printed method. The Taxpayer speaks of purchasing access to the content and the databases and downplays what that access constitutes. The access is not that a customer goes online and knows what content he or she desires. The customer inputs searches. Now some searches are only by inputting a statutory cite. But other searches as depicted in Exhibit C involve search terms that are then applied to an enormous amount of data and customers can choose to keep their research in their folders. The volume of materials being searched would be useless without the search and retrieval capabilities. customers can access and search and research 60,000 publications to which are added 2.2 million documents every day. Customers would not purchase those databases without a way to search and retrieve and research relevant documents. Customers

are buying access to the data, and it is that access, search, and retrieval functionality the customers purchase. Without it, there would be no reason for the customers to purchase those databases. Indeed, without the software functionality, customers could not access the data and could not find what they wanted within all the available data.[13]

While the discussion of bundled transactions or mixed transactions is an interesting exercise involving out-of-date and new statutes, it does not support the Taxpayer's contention the Sales at Issue are not taxable. Even applying such tests, the Sales at Issue are still taxable.

G. Other Considerations

The relevant and pertinent inquiry into Rhode Island's treatment of the Sales at Issue is its own laws. The Taxpayer pointed to summaries of state tax law separately produced by Multistate Tax Commission and the Council on State Taxation to argue that Rhode Island does not tax sales of digital information services like the Sales at Issue. Of course, the Sales at Issue are not digital information services as argued by the Taxpayer but rather vendor-hosted prewritten computer software. Nonetheless, multi-state summaries on each state's tax law do not change Rhode Island law and its applicability to the Sales at Issue.

H. Interest and Penalty on the Sales Tax Assessment

The Division properly imposed interest on the sales tax assessment pursuant to R.I. Gen. Laws § 44-19-11.[14]

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[13] The Division cited to several prior Division administrative decisions about mixed transactions prior to the change in the definition of sales. Thus, the renting of portable toilets and providing pumping services for the rented portable toilets was a mixed transaction where the pumping service was part of the rental and not a separate service. A customer could not buy pumping services without renting a toilet, so the pumping service was incidental to the rental of the property. *Administrative Decision* 2008-011 2008 WL 5582997 (R.I.Div.Tax.). In that matter, the rental of the portable toilet was the sale and the pumping service part of the sale. Thus, that customer obtained the pumping service as part of the sale. Similarly, here, a customer cannot access the information without the software (tangible personal property) so the software is the object of the sale.

[14] R.I. Gen. Laws § 44-19-11 states as follows:

R.I. Gen. Laws § 44-19-12 and R.I. Gen. Laws § 44-19-14 provides for a 10% penalty on a sales tax deficiency. R.I. Gen. Laws § 44-19-12 clearly provides that if a taxpayer does not pay a tax because of negligence or does not pay, a 10% penalty is imposed. That penalty is not discretionary because the statute provides that the penalty "is" to be added rather than "may be added." Penalties can be abated through a settlement pursuant to R.I. Gen. Laws § 44-1-10 but *Brier Mfg. Co. v. Norberg*, 377 A.2d 345 (R.I. 1977) found that R.I. Gen. Laws § 44-19-12 does not provide authority for a hearing officer to waive a penalty. In this matter, the parties agreed the Taxpayer prepaid the assessment which did not include a penalty, so the penalty has been abated pursuant to R.I. Gen. Laws § 44-1-10.

VI. FINDINGS OF FACT

1. The Notice was issued to the Taxpayer on June 8, 2022.

2. A hearing was held on September 22, 2025 with briefs being timely filed by November 21, 2025.

3. Prior to hearing, the parties filed an agreed statement of facts and exhibits.

4. The facts contained in Section IV and V are incorporated by reference herein.

VII. CONCLUSIONS OF LAW

Based on the testimony and facts presented:

1. The Division has jurisdiction over this matter pursuant to R.I. Gen. Laws § 44-18-1 *et seq.*, R.I. Gen. Laws § 44-19-1 *et seq.*, R.I. Gen. Laws § 44-20-1, and R.I. Gen. Laws § 44-1-1 *et seq.*

Deficiency determinations – Interest. – If the tax administrator is not satisfied with the return or returns or the amount of tax paid to the tax administrator by any person, the administrator may compute and determine the amount required to be paid upon the basis of the facts contained in the return or returns or upon the basis of any information in his or her possession or that may come into his or her possession. One or more deficiency determinations may be made of the amount due for one or for more than one month. The amount of the determination, exclusive of penalties, bears interest at the annual rate provided by § 44-1-7 from the fifteenth day (15th) after the close of the month for which the amount, or any portion of it, should have been paid until the date of payment.

2. The Sales at Issue are vendor-hosted prewritten software and taxable pursuant to R.I. Gen. Laws § 44-18-1 *et seq*.

3. The Taxpayer owed the sales tax assessment and assessed interest as set forth in Exhibit A which has already been paid by the Taxpayer.

VIII. RECOMMENDATION

Based on the above analysis, the Hearing Officer recommends as follows: Pursuant to R.I. Gen. Laws § 44-18-1 *et seq*., R.I. Gen. Laws § 44-19-1 *et seq*., R.I. Gen. Laws § 44-1-1 *et seq*., and R.I. Gen. Laws § 44-19-11, the Taxpayer owed the assessed tax and assessed interest as set forth in Exhibit A which has already been paid.

Date: December 22, 2025

Catherine R. Warren
Hearing Officer

ORDER

I have read the Hearing Officer's Decision and Recommendation in this matter, and I hereby take the following action with regard to the Decision and Recommendation:

✓ ADOPT
_____ REJECT
_____ MODIFY

Dated: January 21, 2026

Neena S. Savage
Tax Administrator

NOTICE OF APPELLATE RIGHTS

THIS DECISION CONSTITUTES A FINAL ORDER OF THE DIVISION. THIS ORDER MAY BE APPEALED TO THE SIXTH DIVISION DISTRICT COURT PURSUANT TO THE FOLLOWING STATUTES WHICH STATES AS FOLLOW:

> **R.I. Gen. Laws § 44-19-18 Appeals** Appeals from administrative orders or decisions made pursuant to any provisions of this chapter are to the sixth (6th) division district court pursuant to chapter 8 of title 8. The taxpayer's right to appeal under this chapter is expressly made conditional upon prepayment of all taxes, interest, and penalties, unless the taxpayer moves for and is granted an exemption from the prepayment requirement pursuant to § 8-8-26.

CERTIFICATION

I hereby certify that on the 21st day January 2026, ~~2025~~ a copy of the above Decision and Notice of Appellate Rights was sent by first class mail and certified mail to the Taxpayers' attorneys' addresses on record with the Division and by electronic delivery to John Beretta, Esquire, Department of Revenue, Division of Taxation, One Capitol Hill, Providence, RI 02908.

Gail Belasco